

Summary of Interstate Oil and Gas Compact Commission 2013 Annual Meeting
Report by John Baza to the Board of Oil, Gas, and Mining
November 2013

[See attached program for full schedule]

Monday, November 4th

Technical Tour:

- Occidental Petroleum Corp., THUMS Islands – These are artificial islands in Long Beach Harbor containing nearly 200 wells each that represent a continuing oil skimming and water recycling operation. The islands were first built and drilled in the late 1960s to develop oil resources beneath the city of Long Beach using offshore directional drilling technology. Now that the islands are nearly 50 years old, they still sustain an oil recovery operation that remains profitable with small production volumes of oil and high volumes of produced water to recycle.
- Warren Resources Inc., Wilmington production facility – this facility is a similar operation to the THUMS islands, but is a land-based facility on about 10 acres in a dense urban setting. Here they produce more oil and less water than on the islands, but the challenges of air quality, water quality, odors, lighting, and noise are upon them every day.

Tuesday, November 5th

General Session:

- Mayor Bob Foster of Long Beach City – Welcome to Long Beach and California.
- Governor Robert Bentley of Alabama – Chairman's Address – Progress of the States First Initiative; preparing to hand the reins of IOGCC chairmanship to Governor Bryant of Mississippi.
- Governor Phil Bryant of Mississippi, IOGCC Chairman-Elect – Discussed the importance of oil and gas development to Mississippi, the Gulf Coast, the U.S., and the world.
- Dr. Fred Aminzadeh, University of Southern California – Presented information on California shale resources.
- Dr. Scott W. Tinker, University of Texas – Shale resources, part 2, the U.S. picture.
- Discussion Panel – moderated by Mark Nechodom, Director, California Dept. of Conservation
 - Jim Kenna, California State Director, U.S. Bureau of Land Management
 - Cathy Reheis-Boyd, President, Western States Petroleum Association
 - Lorelei Oviatt, Kern County Planning Director

[Adjourn to lunch]

The 2013 Chairman's Stewardship Awards were presented during lunch (see attached awards brochure) – the winners are:

- Environmental Partnership – North Dakota Petroleum Council
- Energy Education – Independent Oil and Gas Association of West Virginia
- Independent/Small Company – Apache Alaska Corporation
- Major/Large Company – Dominion Resources

Also during lunch, the Guest Speaker was Oklahoma Attorney General E. Scott Pruitt – who discussed the importance of protecting the public interest by developing oil and gas resources in Oklahoma.

[Continued with afternoon Committee meetings – see attached program agenda. JRB attended Energy Resources, Research & Technology Committee where one of the speakers was DOGM’s John Rogers who spoke on E-Permitting activities within Utah’s Oil and Gas Program. Also JRB attended the Public Outreach Committee, where Mr. Ed Cross, President of the Kansas Independent Oil & Gas Association spoke on the “right” response to critical public issues – see attached article by Mr. Cross.]

Wednesday, November 6th

[Continuation of Committee meetings. JRB attended Finance and Steering Committee joint meeting, Environment & Safety Committee, IOGCC/EPA MOU meeting (see attached meeting agenda and update to the MOU), Council of State Regulatory Officials, and the Business Session.]

Council of State Regulatory Officials:

- Alaska – some new shale exploration taking place.
- Colorado –Established new statewide setback rules; four local government jurisdictions had anti-fracking initiatives on the ballot (3 passed, 1 is too close to count).
- Wyoming – Horizontal drilling activity has led to increase in gas flaring activity; they’ve developed a water well testing rule similar to Colorado; they will soon be addressing a fairly large orphan well liability that exists in the state; new rules being considered for well density as related to surface setbacks; they are considering an MOU with the BLM state office – wondering if other states have established something similar.
- Alabama – Most of their drilling was in CBM, so that is down in number; but they are seeing uptick in oil drilling based on some recent 3D seismic work.
- Nevada – Noble Drilling Co. is looking shale plays in the central part of the state; they have instructed to develop hydraulic fracturing rules by legislature, even though there is very little HF as yet.
- Nova Scotia – Plenty of offshore development, but onshore is fairly quiet.
- Alberta – They have considerably broadened their scope of authority over energy resources; they have reorganized much their structure and processes.
- Oklahoma – Incorporated much of their data and processes into RBDMS; experiencing lots of horizontal drilling; also experiencing much injection induced seismic activity.
- Kentucky – Recently applied for Class II primacy from U.S. EPA.
- West Virginia – Undergoing their fair share of Marcellus shale development; legislature recently passed a Horizontal Drilling Act; they have also enacted new storm water restrictions.
- Indiana – Some horizontal drilling and some hydraulic fracturing going on; they have been influenced by a recently passed Frac Act by their neighbors, Illinois.
- North Dakota – 9600 wells producing, will reach 1 million BOPD mark very soon (by end of year); it is an 11-fold production increase while doubling their producing well count; because they pulled their employees out of the state classification system a few years ago, they can do salary increases and bonuses as needed to retain qualified employees; big issue is flaring; they have applied for Class IV (CO2 sequestration wells) primacy from U.S. EPA.
- Michigan – Pursuing primacy for Class II wells.
- New Mexico – oil production is back up to 1970s levels.
- British Columbia – Mostly gas wells in the province; about 90% of the production is unconventional.
- Virginia –New governor; must update their energy plan next year.
- South Dakota – Much indirect impact from ND development; their legislature is OK with hydraulic fracturing; they have instituted a requirement for landowner notifications of new

drilling; landowner must petition to receive escrowed royalties, otherwise they revert back to the operator after certain time.

- Arkansas – They are 5000 wells into a shale play; dealing with a lot of injection induced seismicity issues.
- Nebraska – General oil and gas rule revision is awaiting approval from their AG; disclosure rule for hydraulic fracturing is included.
- Dr. Hilary Clement Olson, University of Texas spoke of TOPCORP's collaborative effort with IOGCC for inspector training and certification.

Business Committee:

- Executive Director Mike Smith reported on a new dues structure for IOGCC that updates what individual states pay based on their production quantities. The new dues structure was approved by the voting states. Utah's assessment has increased to \$35,000 per year.
- Business Committee approved the sunseting of 7 resolutions. Two new resolutions were approved - Resolution 13.077 – Recognition of State Regulation of Hydraulic Fracturing; Resolution 13.078 – Supporting the Reporting of Chemicals Intentionally Used for Hydraulic Fracturing to FracFocus.org.
- Next meetings of IOGCC - 2014 Midyear Meeting in Biloxi, MI, May 18-20, 2014; 2014 Annual Meeting in Columbus, OH, October 19-21, 2014.

[Various slide presentations for the 2014 Annual Meeting are available on the IOGCC website:

<http://www.iogcc.state.ok.us/2013-long-beach>]